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ACTION EB-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00
	ITCE-00	DOTE-00	ANHR-00	SRPP-00	EAP-00	EXME-00	E-00
	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	ITC-01	L-00	VCE-00	MOFM-04	MOF-03	AC-01
	NSAE-00	OMB-01	OPIC-01	ACE-00	SP-00	IRM-00	SSO-00
	STR-00	USIE-00	FMP-00	R-00	DRL-02	G-00	FDIC-01
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FM AMEMBASSY HANOI  
TO SECSTATE WASHDC PRIORITY 0117  
INFO USDOC WASHDC  
ASEAN COLLECTIVE  
AMEMBASSY BEIJING  
AMCONSUL HONG KONG  
DEPTTREAS WASHDC  
NSC WASHDC  
AMCONSUL HO CHI MINH CITY

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STATE FOR EB/IFD/OMA, EB/IFD/ODF, EAP/BCLTV  
STATE PAS USAID/ANE/D SOULES/DMCCLUSKEY  
DEPTTREAS ALSO FOR OASIA/SURBANA  
USDOC ALSO FOR 4431/MAC/AP/OKSA/VLC/HPPHO  
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NSC ALSO FOR R HUSO

E.O. 12958: N/A  
TAGS: [ECON](#) [EFIN](#) [EAID](#) [VM](#) [FINREF](#) [SOE](#)  
SUBJECT: VIETNAM'S BANK SYSTEM REFORM PLAN: TIME TO IMPLEMENT

REF: A) 99 HANOI 3358; B) FBIS 2813114Z FEB 00

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SUMMARY  
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1. (SBU) THE IMF/WORLD BANK ENHANCED STRUCTURAL ADJUSTMENT FACILITY (ESAF) AND STRUCTURAL ADJUSTMENT CREDIT (SAC) AGREEMENTS FOR VIETNAM HAVE BEEN SUSPENDED FOR THE PAST TWO YEARS DUE TO DISAGREEMENTS OVER THE PACE AND EXTENT OF THE GOVERNMENT OF VIETNAM'S (GVN) ECONOMIC REFORMS IN THE AREAS OF TRADE, STATE-OWNED ENTERPRISES (SOE'S), AND BANKING. ON JUNE 7 THE IMF'S RESIDENT REPRESENTATIVE TOLD EMBASSY THE GVN RECENTLY URGED THE IMF AND BANK TO REDOUBLE EFFORTS TO CONCLUDE THE AGREEMENTS. A MAJOR COMPONENT OF THE REFORM AGENDA WILL BE TO REVAMP VIETNAM'S WEAK, ILL-MANAGED BANKING SYSTEM.

2. (U) THE LATEST DRAFT PLAN BY THE STATE BANK OF VIETNAM (SBVN) FOR BANKING REFORM INVOLVES A RESTRUCTURING OF ALL VIETNAMESE BANKS, ESPECIALLY THE FOUR STATE-OWNED COMMERCIAL BANKS (SOCB'S) THAT DOMINATE THE SECTOR. IT IS INTENDED TO CREATE A 'LEVEL PLAYING FIELD' FOR ALL BANKS, INCLUDING  
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SOCB'S, J-S, AND FOREIGN. THE MAIN POLICY GOALS ARE REMOVAL OF THE RESPONSIBILITY FOR 'POLICY LENDING' FROM THE SOCB'S, WHICH WILL BE REQUIRED TO OPERATE ON A PURELY COMMERCIAL BASIS; RESTRUCTURING OF NONPERFORMING LOANS, REPORTEDLY AS MUCH AS 27-28 PERCENT OF TOTAL DEBT, THROUGH CREATION OF AN 'ASSET MANAGEMENT COMPANY'; AND, ENHANCEMENT OF THE INSTITUTIONAL AND MANAGEMENT CAPABILITIES OF THE SOCB'S AND THE SBVN.

3. (U) THE SBVN'S PLAN ALSO AFFECTS OPERATIONS OF THE J-S AND FOREIGN BANKS IN VIETNAM. SOME OF THE J-S BANKS WILL BE MERGED AND THE SBVN WILL DEVELOP NEW MANAGEMENT AND REPORTING CRITERIA TO ENSURE THEIR FINANCIAL HEALTH. AS PART OF THE GVN'S OVERALL PROCESS OF INTERNATIONAL ECONOMIC INTEGRATION IT PLANS TO MINIMIZE THE CURRENTLY 'LARGE' NUMBER OF RESTRICTIONS ON FOREIGN BANK OPERATIONS IN VIETNAM TO MOVE TOWARD CREATION OF A 'LEVEL PLAYING FIELD'.

ONE SBVN OFFICIAL SAID THE GVN MIGHT EVEN ATTEMPT TO MAKE THE 'DOMESTIC ROADMAP' FOR REFORM FASTER THAN THE SCHEDULE AGREED IN THE UNSIGNED BILATERAL TRADE AGREEMENT. END SUMMARY.

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BACKGROUND  
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14. (U) REF A REPORTED RESULTS OF SEPTEMBER 1999 NEGOTIATIONS BETWEEN A JOINT INTERNATIONAL MONETARY FUND (IMF)/WORLD BANK (WB) TEAM AND THE GVN ON NEW ENHANCED STRUCTURAL ADJUSTMENT FACILITY (ESAF) AND UNCLASSIFIED

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STRUCTURAL ADJUSTMENT CREDIT (SAC) AGREEMENTS FOR VIETNAM. BOTH FINANCIAL SUPPORT PROGRAMS HAVE BEEN SUSPENDED FOR NEARLY TWO YEARS DUE TO DISAGREEMENTS OVER THE PACE AND EXTENT OF THE GVN'S ECONOMIC REFORMS. IN PARTICULAR, THE WB AND IMF HAVE TARGETED THREE AREAS FOR REFORM -- THE TRADE REGIME, SOE'S, AND THE BANKING SYSTEM. THE SEPTEMBER ROUND OF TALKS BROUGHT SIGNIFICANT PROGRESS ON THE FIRST TWO BUT LESS ON THE THIRD. TWO MORE COMPONENTS OF THE AGREEMENTS WILL ADDRESS THE MACROECONOMY AND SUPPORT FOR THE PRIVATE SECTOR.

15. (U) PERHAPS THE MOST DIFFICULT ASPECT OF THE REFORM AGENDA CONCERNS VIETNAM'S WEAK, ILL-MANAGED BANKING SYSTEM. WORLD BANK PRESIDENT JAMES WOLFENSOHN RAISED THIS ISSUE WITH HIS SBVN INTERLOCUTORS AND OTHER HIGH-LEVEL OFFICIALS DURING HIS FEBRUARY 21-24 VISIT TO VIETNAM. HE WAS QUOTED IN THE PRESS AS SAYING 'IF YOU HAVE STATE-OWNED BANKS LENDING TO STATE-OWNED ENTERPRISES, YOU DON'T TYPICALLY GET VERY GOOD REPAYMENTS.' SBVN GOVERNOR LE DUC THUY RESPONDED THAT 'VIETNAM SHARES ... THESE CONCERNS AND CHALLENGES'.

16. (U) ON FEBRUARY 28, THE COMMUNIST PARTY'S DAILY NEWSPAPER 'NHAN DAN' (THE PEOPLE), IN A REMARKABLY CRITICAL EDITORIAL ENTITLED 'LET'S RESTORE ORDER AND RENOVATE THE BANKING SYSTEM' (REF B), CHARACTERIZED VIETNAM'S FINANCIAL AND BANKING SYSTEM AS 'FULL OF WEAKNESSES AND DISCREPANCIES'. IT SAID 'URGENT MEASURES' WERE REQUIRED TO RENOVATE THE SYSTEM AND PREVENT 'MORAL DEGENERATION' OF BANKING PERSONNEL.

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REFORM PLAN  
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17. (SBU) ON JUNE 7 THE IMF'S RESIDENT REPRESENTATIVE TOLD EMBASSY THE GVN, IN PARTICULAR DEPUTY PRIME MINISTER NGUYEN TAN DUNG, WAS URGING THE IMF AND WORLD BANK TO ACCELERATE THEIR NEGOTIATIONS AND CONCLUDE THE LONG-STALLED AGREEMENTS. HE HOPED TO HAVE MORE DETAILS OF THE GVN'S PLANS BY JUNE 9, BUT THE FINAL FORM OF THE PROGRAM PROBABLY WILL REQUIRE SOME ADDITIONAL NEGOTIATION. EMBASSY HAS NOT YET SEEN THE GVN'S LATEST PROPOSAL, BUT BASED ON RECENT DISCUSSIONS WITH DIRECTOR XUAN NGHIA LE OF THE BANKING STRATEGY DEPARTMENT AND OTHER SBVN OFFICIALS WE BELIEVE IT WILL INCLUDE THE FOLLOWING ELEMENTS.  
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18. (U) THE PLAN WOULD INVOLVE A RESTRUCTURING OF ALL VIETNAMESE BANKS, ESPECIALLY THE FOUR SOCB'S THAT DOMINATE THE SECTOR. IT IS INTENDED TO CREATE A 'LEVEL PLAYING FIELD' FOR ALL BANKS, INCLUDING STATE-OWNED, J-S, AND FOREIGN. THIS, SAID MR. LE, WAS THE ONLY WAY TO ENSURE A SOUND AND SAFE BANKING SYSTEM.

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SEPARATE "POLICY LENDING"  
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19. (U) THE SBVN PLAN INCLUDES FOUR MAIN POLICY GOALS. FIRST, RESPONSIBILITY FOR 'POLICY LENDING' SHALL BE REMOVED FROM THE SOCB'S, WHICH WILL BE REQUIRED TO OPERATE ON A PURELY COMMERCIAL BASIS. THE TASK OF POLICY LENDING WOULD BE TRANSFERRED TO A NEW AND SEPARATE AGENCY, SUPERVISED BY THE SBVN. DIRECTOR LE EMPHASIZED THIS POLICY LENDING WOULD INCLUDE LOANS FOR STUDENTS, POOR PEOPLE, AND VICTIMS OF NATURAL DISASTERS, RATHER THAN COMMERCIALLY UNSOUND LOANS TO SOE'S.

110. (U) LE SAID 'IN PRINCIPLE' THE SOE'S WOULD HAVE TO BORROW FROM BANKS ON A COMMERCIAL BASIS. IN THE PAST THE GVN HAS CHANNELLED STATE FUNDS THROUGH THE SOCB'S TO SELECTED SOE'S TO INCREASE THEIR PRODUCTIVE CAPACITY. TO REPLACE THIS MECHANISM, THE NEW PLAN WOULD PROVIDE FOR AN 'INVESTMENT ASSISTANCE FUND'

COMPLETELY OUTSIDE THE BANKING SYSTEM. THIS FUND  
ALSO WOULD BE USED FOR WORLD BANK AND ASIAN  
DEVELOPMENT BANK PROJECTS CO-FUNDED BY THE GVN.  
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BAD BANK DEBT  
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11. (U) THE SECOND POLICY GOAL IS TO RESTRUCTURE  
NONPERFORMING LOANS EXTENDED BY THE SOCB'S WITHIN A  
RELATIVELY SHORT TIME. ALTHOUGH SBVN AND MINISTRY OF  
FINANCE OFFICIALS REPEATEDLY HAVE REFUSED TO DIVULGE  
THE TOTAL AMOUNT OF BAD DEBT IN VIETNAM'S BANKING  
SYSTEM, ON FEBRUARY 17 THE VIETNAMESE PRESS REPORTED  
TOTAL BAD DEBT HAS REACHED 9.92 TRILLION DONG (U.S.  
\$708 MILLION), EQUIVALENT TO 27-28 PERCENT OF TOTAL  
DEBT. SEVERAL FOREIGN BANKERS, HOWEVER, ESTIMATE THE  
ACTUAL AMOUNT IS SIGNIFICANTLY LARGER.

12. (U) BECAUSE THIS ISSUE IS INTERCONNECTED WITH THE  
PROBLEM OF SOE BAD DEBT, THE GVN INTENDS TO CREATE AN  
'ASSET MANAGEMENT COMPANY' (AMC), SUBORDINATE TO THE  
SBVN BUT FUNDED FROM THE STATE BUDGET, TO PURCHASE  
SOE AND OTHER CORPORATE DEBT. THE OBJECTIVES ARE TO  
INSURE THE SOCB'S BECOME FINANCIALLY HEALTHY AS SOON  
AS POSSIBLE, WHILE AT THE SAME TIME EXPEDITE  
LIQUIDATION OF COLLATERAL ASSETS OF CORPORATE  
BORROWERS.

13. (U) LE EXPECTED THE AMC TO BEGIN OPERATIONS LATER  
IN 2000 AND CONTINUE FOR UP TO 5-7 YEARS, OR UNTIL  
THE BAD DEBT PROBLEM IS SOLVED. WHILE UNWILLING TO  
SAY HOW MUCH BAD DEBT WAS ON THE BOOKS, LE SUGGESTED  
THE AMC'S INITIAL BUDGET WOULD BE INSUFFICIENT TO  
PURCHASE ALL OF IT. INSTEAD, THEY WOULD CHOOSE THE  
MOST URGENT COMPANIES FOR THE FIRST TRANCHE OF THEIR  
OPERATIONS. HE SAID IF, FOR EXAMPLE, THE TOTAL SOCB  
BAD DEBT WAS ONE BILLION DOLLARS, THEN AMC'S LIKELY  
BUDGET WOULD BE ABOUT 300 MILLION, WHICH OBVIOUSLY  
WOULD NOT BE SUFFICIENT TO PURCHASE ALL THE  
COLLATERAL AT ITS ORIGINAL VALUE.

14. (U) LE CLAIMED NATIONAL ASSEMBLY APPROVAL FOR  
CREATION OF THE AMC IS NOT REQUIRED, ALTHOUGH SOME OF  
ITS OPERATIONS MIGHT BE LIMITED IF THEY CONTRADICTED  
ANY EXISTING LEGISLATION, SUCH AS THE LAND LAW OR THE  
ENTERPRISE LAW. HE SAID THERE ALSO MAY BE LEGAL  
RESTRICTIONS ON DISCLOSURE AND LIQUIDIZATION OF  
COLLATERAL. IF, FOR EXAMPLE, AN ITEM OF COLLATERAL  
INITIALLY WAS VALUED AT ONE BILLION DONG, THEN WAS  
ACQUIRED BY THE AMC AND SOLD FOR JUST 500 MILLION,  
UNDER VIETNAMESE LAW 'SOMEONE' WOULD HAVE TO BE  
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RESPONSIBLE FOR THE LOSS. DIRECTOR LE SAID THE GVN  
WAS 'FRIGHTENED' BY THIS POSSIBILITY, AS THE SOCB'S  
WOULD BE AFRAID TO SELL COLLATERAL ASSETS TO THE AMC  
IF THEY MIGHT HAVE TO TAKE RESPONSIBILITY FOR LOSSES.

15. (U) THE NON-PERFORMING LOANS FROM THE SOCB'S  
WOULD BE RESTRUCTURED IN THREE WAYS. FIRST, A  
CERTAIN AMOUNT SIMPLY WOULD BE WRITTEN OFF, ALTHOUGH  
BUDGETARY CONSTRAINTS WOULD REQUIRE THIS PROPORTION TO  
BE RELATIVELY SMALL. FURTHER, LE SAID THIS INABILITY  
TO WRITE OFF AS MUCH OF THE DEBT AS NEEDED MAY LEAD  
TO MORE BAD DEBT IN THE FUTURE AND TO CONTINUING  
FINANCIAL ILL HEALTH FOR THE SOCB'S, BUT THE GVN HAD  
NO CHOICE. SECOND, A SOMEWHAT LARGER PROPORTION OF  
THE DEBT WOULD BE RESCHEDULED AND/OR RESTRUCTURED.  
FINALLY, THE GVN WILL REPAY SOME OF THE LOANS,  
ALTHOUGH LE WOULD NOT SAY HOW MUCH.

16. (U) IN A RELATED MOVE TO PROTECT BANK DEPOSITORS  
FROM RISK, AND THEREBY ENTICE MORE VIETNAMESE PEOPLE  
TO KEEP THEIR SAVINGS IN BANKS RATHER THAN GOLD OR  
DOLLARS, THE SBVN ANNOUNCED INAUGURATION OF A  
'DEPOSIT INSURANCE ORGANIZATION' (DIO). THE DIO WILL  
BE RESPONSIBLE FOR INSURING DEPOSITS UP TO 30 MILLION  
DONG (USD 2,100). ALL COMMERCIAL BANKS AND CREDIT  
INSTITUTIONS WILL BE REQUIRED TO JOIN THE PROGRAM AND  
PAY THE INSURANCE PREMIUM, REPORTEDLY TO BE SET AT  
0.15 PERCENT OF THE DEPOSIT VALUE. SOME OF THE  
LARGER SOCB'S BELIEVE, HOWEVER, THAT THE RISKIER  
(JOINT-STOCK) BANKS SHOULD PAY A HIGHER PREMIUM.

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TIGHTEN UP THE SYSTEM  
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17. (U) THE THIRD AND FOURTH POLICY GOALS OF THE NEW REFORMS ARE TO ENHANCE THE INSTITUTIONAL AND MANAGEMENT CAPABILITIES OF THE SOCB'S AND TO STRENGTHEN THE SUPERVISORY FUNCTIONS OF THE SBVN OVER THE SOCB'S. LE SAID THE SBVN ALREADY HAD RECEIVED TECHNICAL ASSISTANCE FOR THIS FROM THE WORLD BANK, IMF, ADB, AND SOME BILATERAL DONORS, BUT NEEDED MORE. HE CLAIMED THERE HAD NOT BEEN MUCH PROGRESS IN THIS AREA BECAUSE THE 'CONCEPTIONS' OF THE DONORS WERE 'NOT SATISFACTORY'. IN PARTICULAR, SOME OF THE SOCB'S WERE HAVING DIFFICULTY MEETING REQUIREMENTS SET BY THE WORLD BANK FOR EACH SOCB TO FORMULATE ITS OWN STRATEGY TO MEET INTERNATIONAL CRITERIA. THIS, HE SAID, WAS SIMPLY BEYOND THE CAPABILITIES OF THE SOCB'S. IT ALSO WAS DIFFICULT FOR THE SBVN ITSELF TO EVALUATE THE SOCB PROPOSALS BECAUSE THE SOCB'S WOULD NOT PROVIDE SUFFICIENTLY TRANSPARENT INFORMATION ON THEIR OPERATIONS.

18. (U) THE PLAN ALSO REPORTEDLY INCLUDES A PROPOSAL FOR A PILOT SOCB RESTRUCTURING PROGRAM FOR THE AGRICULTURAL AND RURAL DEVELOPMENT BANK AND THE BANK OF FOREIGN TRADE. IT WILL INVOLVE RESTRUCTURING AND IMPROVING THEIR FINANCIAL AND ACCOUNTING SYSTEMS, DEBT, PERSONNEL, AND STRATEGY. THE SBVN HOPES THEY CAN BE UPGRADED TO INTERNATIONAL STANDARDS.

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JOINT STOCK BANKS  
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19. (U) IN ADDITION TO THE ABOVE FOUR POLICY GOALS, THE SBVN'S REFORM PLAN ALSO CONTAINS PROVISIONS AFFECTING OPERATIONS OF THE JOINT STOCK (J-S) AND FOREIGN BANKS IN VIETNAM. SOME OF THE 48 J-S BANKS CURRENTLY OPERATING IN VIETNAM, PARTICULARLY THE SMALLER ONES, WILL BE MERGED, WHILE IN GENERAL THE SBVN WILL TRY TO INCREASE BOTH THE NUMBER OF SHAREHOLDERS AND THE AMOUNT OF REGISTERED CAPITAL. ADDITIONALLY, THE SBVN WILL DEVELOP NEW CRITERIA TO ENSURE THE FINANCIAL HEALTH OF THE J-S BANKS. THESE CRITERIA WOULD FOCUS ON 'MANAGEMENT CAPABILITY' OF THE BANKS AND ALSO INCLUDE STRICTER REQUIREMENTS FOR SUPERVISION, INSPECTION, AND REPORTING. THE SBVN WILL ASSIST THE BANKS TO RESTRUCTURE THEIR ASSETS AND LIABILITIES BASED ON RISK ASSESSMENT.

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20. (U) ACCORDING TO DIRECTOR LE, MANY OF THE J-S BANKS ARE 'RELUCTANT' TO MERGE AND THEREFORE THE SBVN WILL HAVE TO INTERVENE IN THE MERGER AND ACQUISITION PROCESS. HE SAID A NUMBER OF THEM ALREADY HAD BEEN MERGED OR DISSOLVED, AND NONE HAD FAILED. THEIR MANAGEMENT CAPABILITY, HOWEVER, REMAINED A MAJOR WEAKNESS, AND THE SBVN WILL PROVIDE TRAINING IN THIS AREA. LE ALSO HOPED SOME J-S BANKS WOULD FORM JOINT VENTURES WITH FOREIGN BANKS, WHICH COULD TRANSFER MANAGERIAL AND TECHNICAL EXPERTISE.

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FOREIGN BANKS  
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21. (U) ACCORDING TO LE, AS PART OF THE GVN'S OVERALL PROCESS OF INTERNATIONAL ECONOMIC INTEGRATION IT PLANS TO MINIMIZE THE CURRENTLY 'LARGE' NUMBER OF RESTRICTIONS ON FOREIGN BANK OPERATIONS IN VIETNAM. IN PARTICULAR, HE SAID THE SBVN WOULD REDUCE RESTRICTIONS ON MANAGEMENT OF ASSETS AND LIABILITIES IN LOCAL CURRENCY AND ON ABILITY OF FOREIGN BANKS TO ACCEPT DEPOSITS IN LOCAL CURRENCY. THIS, HE SAID, WAS A PRECONDITION FOR CREATION OF A 'LEVEL PLAYING FIELD'.

22. (U) FURTHERMORE, LE SAID THE SBVN WOULD PROPOSE TO PHASE OUT LIMITS ON FOREIGN BANK EQUITY SHARES AND THEIR PERCENTAGE SHARES IN JOINT VENTURES WITH VIETNAMESE BANKS, IN ACCORDANCE WITH THE SCHEDULE AGREED IN PRINCIPLE UNDER THE BILATERAL TRADE

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AGREEMENT. HE SAID THE SBVN WOULD ATTEMPT TO MAKE THE 'DOMESTIC ROADMAP' FOR REFORM FASTER THAN THE SCHEDULE AGREED IN THE BTA, WHICH HE DESCRIBED AS 'REALISTIC' BUT IMPROVEABLE. HE ADDED THAT VIETNAM ALREADY HAD AGREED TO A BANKING REFORM TIMETABLE FOR THE ASEAN FREE TRADE AREA (AFTA) THAT WAS BOTH FASTER AND STRONGER THAN PROPOSED COMMITMENTS TO THE U.S. AND WORLD TRADE ORGANIZATION. FOR AFTA, VIETNAM WOULD BEGIN TO OPEN ITS BANKING SECTOR BY THE YEAR 2006 AND COMPLETE THE PROCESS BY 2010, BUT HE BELIEVED THE MORE DEVELOPED ASEAN MEMBERS HAD PROPOSED THAT VIETNAM, MYANMAR, AND LAOS SHOULD ACCELERATE THIS PROCESS. LE ALSO SAID THE SBVN WAS CONSIDERING EQUITIZATION (PARTIAL PRIVATIZATION) OF

ONE OF THE STATE-OWNED COMMERCIAL BANKS, AND FOREIGN BANKS MAY BE INVITED TO PARTICIPATE.

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COMMENT  
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123. (SBU) REFORM OF VIETNAM'S BANKING SYSTEM CANNOT SUCCEED WITHOUT A SIMULTANEOUS AND SEVERE ASSAULT ON THE STATE-OWNED ENTERPRISES, A FORMIDABLE OBSTACLE, AND PROBABLY NOT WITHOUT MAJOR LIBERALIZATION OF THE TRADE REGIME. THIS IS WHY THE WORLD BANK AND INTERNATIONAL MONETARY FUND HAVE LINKED THE THREE ISSUES, AND ALSO WHY WE TARGETTED ALL THREE IN THE BILATERAL TRADE AGREEMENT NEGOTIATIONS. YET WHILE THIS IS TRUE, IT IS ALSO CRITICAL THAT VIETNAM BEGIN THE PROCESS OF RESTRUCTURING IN A MEANINGFUL WAY. THE TIME FOR PLANNING IS OVER, IT'S NOW TIME TO IMPLEMENT.

124. (SBU) THIS CABLE INDICATES THERE ARE A NUMBER OF OPTIMISTIC SIGNS THAT CHANGE IS IN THE AIR, PARTICULARLY WITH REGARD TO BANKING AND FINANCIAL SECTOR REFORM. MOREOVER, THE HANOI-BASED IMF REPRESENTATIVE CONSIDERS THAT VIETNAM MAY NOW BE CONSOLIDATING THE POLITICAL WILL NEEDED TO MOVE FORWARD ON A MAJOR RESTRUCTURING EFFORT ALONG THE LINES PROPOSED BY THE WORLD BANK AND THE IMF. HOWEVER, HE, LIKE EMBASSY OFFICERS, REMAINS PERPLEXED WHY VIETNAM WOULD CHOOSE THE PRESENT TIME TO PROCEED. THIS IS A PERIOD OF POLITICAL INTROSPECTION, AS THE PARTY PREPARES FOR THE WATERSHED EVENT OF ANOTHER PARTY CONGRESS IN THE FIRST QUARTER OF 2001, NOT AN IDEAL TIME TO TAKE RADICAL DECISIONS WHICH CAN GENERATE CRITICISM. MOREOVER, IT IS AGAINST  
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VIETNAMESE CHARACTER TO UNDERTAKE BOLD MOVES UNLESS THEY FEEL BACKED INTO A CORNER. THEY ARE NOT. WHILE NEW FDI COMMITMENTS CONTINUE ON A DOWNWARD SPIRAL AND EMPLOYMENT GENERATION IS NEGLIGIBLE, MANY GOVERNMENT OFFICIALS ARE PLEASED WITH RECENT ECONOMIC DATA: GROWTH (SIX PERCENT FOR THE FIRST HALF OF THE YEAR), EXPORTS (ROBUST) AND INFLATION (NONE). THE ECONOMY IS IN MANY WAYS IMPROVING ALONG WITH THE REST OF THE ASIAN REGION. REGARDLESS OF THE REASONS WHY THE VIETNAMESE MAY MOVE NOW, IF BANKING AND FINANCIAL SECTOR REFORM PROCEEDS, IT WOULD GIVE FURTHER LIFT TO THE ECONOMY. WE HOPE THIS HAPPENS SOON.  
HARTER

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